

**ACCOUNTING EXAMINING BOARD
MINUTES
MADISON, WISCONSIN
OCTOBER 19, 2001**

PRESENT: Frank Probst, Frederick Franklin, Sharon Hamilton, Jim Johnson,
Thomas Kilkenny (left at 10:40 a.m.)

EXCUSED: Romey Jungers

STAFF PRESENT: Katharine Hildebrand; William Dusso, Legal Counsel; Grace Schwingel;
Judy Mender; Barb Showers and Darwin Tichenor

GUESTS: Tom Michelson - President of WICPA
Tammy Hofstede - WICPA
John Ackerman - WAA

CALL TO ORDER

The meeting was called to order at 9:06 a.m. by Frank Probst, Chair. A quorum of 5 members was present.

AGENDA

MOTION: Jim Johnson moved, seconded by Frederick Franklin, to approve the agenda as printed. Motion carried unanimously.

MINUTES (8/17/01 and 8/27/01)

MOTION: Thomas Kilkenny moved, seconded by Jim Johnson, to approve the minutes of the meeting of 8/17/01. Motion carried unanimously.

MOTION: Sharon Hamilton moved, seconded by Jim Johnson, to approve the minutes of the 8/27/01 teleconference.

Dusso suggested that the Board might want to get together before the end of the year to approve the rules that have been drafted.

ADMINISTRATIVE REPORT

Oscar Herrera, Secretary

Secretary Herrera conveyed Governor Scott McCallum's sincere gratitude to the Board for the time and effort they contribute as Board members. Secretary Herrera informed the Board about several biennial budget items that affect the Department. The Governor had two options, either to increase taxes or to cut programs. Governor McCallum decided that there would be no tax increases. Instead, the state will operate, as most families must do, by living within its budget. With the 5% cut in state budgets, the State of Wisconsin will be able to save about 180 million dollars. Over 50% of the budget will go towards education in one form or another. Secretary Herrera said that the mandatory 5% cut in state budgets did not affect the Department's day-to-day operations, because the Department has a reserve fund to absorb this cut in the budget. The Department received three additional positions in DOE to

reduce the backlog of cases to better serve the professions and the people that the Department regulates. Secretary Herrera informed the Board that, at the Department's request, the Governor vetoed provisions pertaining to a cemetery management fund, closing agents for real estate transactions and a requirement for an institutional pharmacist as a member on the Pharmacy Board. The Governor has had to divert much of his time to increasing the security of the State of Wisconsin, at many different levels, as a result of the terrorist attack in New York. The Department has also been asked to take steps to increase security in this building to provide a safe working environment.

Board Roster

Frederick Franklin has a new business phone number: (414) 840-8726

2002 Meeting Dates

The Board approved the schedule of 2002 meeting dates. The next meeting is December 14, 2001.

To-Do List

The Board reviewed the To-Do lists from the previous meetings.

Regulatory Digest Draft

Jim Johnson's name was inadvertently omitted as a board member in the Regulatory Digest and will be acknowledged in the February Regulatory Digest. It was suggested that once the Board goes through the administrative rules, there would be enough new material to have a special edition of the Regulatory Digest, dedicated to the administrative rule changes. The Board would like to run a feature article in the Regulatory Digest highlighting the change in the administrative rule that relates to the experience and equivalency requirements in public accounting, in order to give licensees some examples of the types of experience which would qualify as equivalency of public accounting experience.

Applications Reviewed by Staff

Noted

Summary Reports on Pending Court Cases, Disciplinary Cases, Administrative Rules, Press Release

Legal Counsel, Bill Dusso, reviewed and explained each of the various reports on rules, cases and the press release.

To-Pass Folder

Hildebrand handed out some of the Department's new brochures relating to "Quick & Easy Access to E-Government Services."

LEGISLATIVE ISSUES

None

ADMINISTRATIVE RULES

CPA Rules Committee Meeting Minutes (10/12/01)

Sharon Hamilton reported on the Committee's meeting of October 12th. The members of the Committee are Roman Jungers, Frank Probst, Kim Tredennick, Sharon Hamilton and Joseph Stienessen. The charge of the Committee is to look at the rules relating to ethics, and particularly those rules relating to independence. Rule changes concerning other issues that the Board will be making, were not discussed at the Committee meeting. The meeting focused solely on the AICPA rule on independence, as amended on August 9, 2001.

The Committee is recommending that the Board adopt the AICPA rules on independence as part of the code of professional conduct that was amended in August 2001. The consensus of the Committee was that Wisconsin, as a state, needs to conform with the proposed AICPA rules on independence unless there is some overpowering public interest that would suggest the Board take a different stand. The Committee did not find any compelling reasons that would prevent them for adopting the AICPA rules on independence. However, the Board decided to wait until the December 14th meeting to vote on adopting this rule. At that time the final draft of the rule would be available for Board members to review before voting on the issue.

Report on Rules Committee Meeting (Hamilton)

- **Chapter 442: Review and Discuss Proposed Rule Standards**

MOTION: Sharon Hamilton moved, seconded by Jim Johnson, to adopt by reference the draft of the rule under 442.01 for the purpose of sending the rule to the Clearinghouse and scheduling a public hearing. Motion carried unanimously.

- **Adoption of Three Sets of Standards by Reference**

Noted

- **Review and Adopt New Rule Defining Ownership**

Dusso reviewed the issues involved in the new rule defining ownership interest in a firm and compared the approaches taken by Michigan, Illinois and California. The Board liked the simplicity of the approaches taken by Michigan and Illinois. The Board decided to adopt the Michigan model, recognizing that exceptions will need to be handled case by case, as it would be cumbersome to try to cover in a rule, all contingencies or possible scenarios. The Board requested that Dusso prepare a draft of a rule, defining ownership according to the Michigan model for the December 14th meeting.

- **Review and Adopt New AICPA Rule on Independence**

The Board discussed the differences between the independence rules of the AICPA and the independence rules of the State of Wisconsin. There were questions as to what the impact would be in making a decision as to whether a professional were in conformity with the state independence rule if that individual were in conflict with the AICPA rule.

Discussion of Requirements for Equivalent Experience in Public Accounting

The Board needs to reach consensus and to provide examples of the kinds of experience that would be acceptable. It is important to determine what the spirit and intent of the UAA is with regard to the type of business or financially-oriented experience that would be considered as equivalent experience, so the Board can make fair and consistent decisions when reviewing licensees' files. It will also be important to specify when acceptable experience must have been acquired, either before or after graduation from a 4-year school, to set the ground rules for equivalency. Hildebrand will look into what other states are doing, as to the timing of the experience. The Board will continue this discussion and vote on it at the December 14th meeting.

NASBA

Report from 94th Annual Meeting, October 14-17, 2001 (Probst)

Probst had surgery and was not able to attend the Annual Meeting but received information and was able to give a brief overview of some of the main agenda items discussed at the meeting. There was a decision by the Board of Examiners of the AICPA to modify the examination, effective November 2003 to a computerized exam. There was also a recommendation that the exam be restructured to include 4 parts and be shortened to 14 1/2 hours. The subject matter of the current 4-part exam will be resorted and covered in three sections. The other main agenda item of the Annual Meeting was the fact that NASBA and the AICPA had entered into a contract whereby they would both be actively involved in the examination issue. There are four entities that are involved in the exam process and all are charging fees: the Department of Regulation & Licensing of the State of Wisconsin, NASBA, AICPA and now, Prometric which provides the testing. The Board will be hearing more about these issues and will need to come to a decision about them.

EXAMINATION ISSUES

Darwin Tichenor reviewed a memo, dated October 12, 2001, received from AICPA and dealing with security issues and emergency back-up plans. Tichenor requested that one Board member be available for the exam that will take place on November 7 & 8, 2001. Sharon Hamilton will attend the November 7th exam in Milwaukee. Jim Johnson agreed to attend the November 8th exam. Tichenor also handed out a list of the Standard Wisconsin CPA Exam Results by School pertaining to candidates passing various parts of the exam.

PRACTICE ISSUES

None

BOARD MEMBER ACTIVITY

None

PRESENTATION OF PROPOSED STIPULATIONS

None

MISCELLANEOUS CORRESPONDENCE

None

NEW BUSINESS

None

RECESS TO CLOSED SESSION

MOTION: Jim Johnson moved, seconded by Sharon Hamilton, to recess the Open Session and to convene the meeting in Closed Session to deliberate on cases following hearing (s. 19.85(1)(a), Stats.; to consider licensure or discipline (s. 19.85(1)(b), Stats.; to consider individual histories or disciplinary data (s. 19.85(1)(f), Stats.; and, to confer with legal counsel (s. 19.85(1)(g), Stats. Motion carried by a roll call vote: Frank Probst – yes; Frederick Franklin – yes; Sharon Hamilton – yes; Jim Johnson - yes.

Open Session recessed at 12:10 p.m.

The Board deliberated concerning pending applications.

RECONVENE IN OPEN SESSION

MOTION: Jim Johnson moved, seconded by Sharon Hamilton, to reconvene the meeting in Open Session at 12:30 p.m. Motion carried unanimously.

VOTE ON ITEMS CONSIDERED OR DELIBERATED UPON IN CLOSED SESSION

Heidi Chan Request for a Waiver of the Conditioning Requirement for the CPA Exam

MOTION: Jim Johnson moved, seconded by Sharon Hamilton, to approve the request of Heidi Chan for two more opportunities to complete the examination on the basis of a medical emergency. Motion carried unanimously.

APPLICATION REVIEW

MOTION: Sharon Hamilton moved, seconded by Jim Johnson, to accept the recommendations of the Board reviewer and staff to approve the applications listed below. Motion carried unanimously.

APPLICATIONS REVIEWED

The following applications for public accounting were issued a credential based upon staff delegation. Applicants applied based on examination, transfer of credit from another state (identified by #) and endorsement of license from another state (identified by *).

FOR REGISTRATION AS A CERTIFIED PUBLIC ACCOUNTANT

Approved - 39

Adkisson, Jay#	Konwinski, Melissa*
Achenbach, Angela	Kroll, Randall*
Anderson, James	Krupa, Eric
Baker, Keith	Liebsch, Mary
Barbeau, Anthony	Marek, Bobby*
Benz, Darwin*	Miller, Mark G.*
Cahill, Jamie	Mueller, Kristen
Carlson, Eric	Osier, Carmen#
Charles, Lonny	Paluch, Rachel
Conrad, Kevin	Psuik, Michael
Danen, Jeffrey	Ryder, Dominic
DeBeer, Mark	Schmoldt, Brian*
Feltz, Jason	Schroepfer, James
Galang, Jennifer	Simons, Richard
Genrich, Carol*	Thalhuber, Gary*
Goertz III, Raymond	Van Landeghem, Lisa
Gullickson, Karen	Wells, Timothy
Hauser, Leslie	Willems, Joseph
Hyde, Carrie	Williams, Dana*
Johnson, Victoria	

APPLICATIONS REVIEWED FOR OCTOBER 19, 2001

The Board screener recommends the following actions for the applications listed. Applicants applied based on examination, transfer of credit from another state (identified by #) and endorsement of license from another state (identified by *).

FOR REGISTRATION AS A CERTIFIED PUBLIC ACCOUNTANT:

1. Approved - 80

Archambo, John
Bales, Paula
Behling, Timothy
Beilfuss, Matthew
Belschner, Paul
Bettry, Aaron
Blaney, Gary
Brandt, Kevin
Breuchel, JoAnn
Broege, Melissa
Brown, Leslie
Burns, Cynthia
Buslepp, William#
Cameron, Kent*
Chan, Mona
Curran, Melissa
Dirksen, Gordon
Dokkestul, Donna
Downey, Ann
Doyle, Kristi
Duellman, Jason
DuVall, Amy
Feldman, Carrie
Firkus, Susan
Friedle, April
Fuller, Charles*
Gigure, Andrew
Gosse, Tanya
Guardiola, Victor
Haim, Brian
Hall, Stephen*
Heistad, Andrew#
James, Peggy
Janssen, Jana
Jarvinen, Lynn
Jensen, Scott
Johnston, William#
Kellerman, Joan
Kippenhan, George
Kirchner, Steven

Kizewski, Patrick
Kupper, Linda
Li, Xiaodong
Livingston, Karin
Lorfeld, Laurel
Magee, Sharon
Myran, Denise
Nadolski, Mark
Olson, Darin
Page, Sharon
Pawlowski, Daniel
Pryba, Daniel
Rennie, Joel
Reschke, Tracy
Rybarczyk-Selenske, Jennifer
Sanft, Daniel
Sauer, Nathan
Schlag, Sara
Schneider, James
Schroeder, Jessica
Schwab, Kevin
Sherman, Scott
Simonson, Marie
Slavik, Todd
Sorenson, Frances*
Spragg, Thomas
Stanek, Kathleen
Steinberg, Wendi Jo
Stinson, Stacy
Sylvester, Mary
Trotter, Mary Jo
Tyler, Gina*
Wegner, Curtis
Weidler, Michael
Wesner, Mark
Wits, Sarah
Young, Linda
Zibton, Craig
Zirbel, Susan
Zubke, Natalie

ADJOURNMENT

MOTION: Jim Johnson moved, seconded by Sharon Hamilton, to adjourn the meeting at 12:35 p.m. Motion carried unanimously.

Discussion between Frank Probst and Thomas Kilkenny at beginning of meeting:

Frank asked Tom: Assuming that there is a difference between the independence rules of the AICPA and the independence rules of the State of Wisconsin, could you issue an unqualified opinion, if a professional were in conformity with the state independence rule which conflicted with the AICPA rule?

Tom Kilkenny: Yes, I can sign an opinion, if I'm conforming with the state rules but if I happen to be in conformity with the state rules but I violated an independence rule of the AICPA, then I could not sign an opinion. So, said another way, I believe I would have to be in compliance with both sets of rules and then there are two other sets of rules to consider. If it's a client that files its financials with the SEC, I would, in addition, have to be in compliance with all the SEC rules and then another set of rules is the government, through government auditing standards in the yellow book, they're proposing their own set of independence rules that have a few other twists, so if you're issuing an opinion on financial statements covered by government auditing standards, and you're not in compliance with one of those independence requirements, you would have to resign as well.

Frank: So, if you were in conformity with the state independence rules, but at odds with the AICPA independence rules, you could not issue an unqualified opinion.

Tom: Right. That's because our firm is a member of the AICPA and I'm personally a member of the AICPA. But I suppose there could be a small firm that is not a member of the AICPA that of course would then not be subject to the AICPA independence requirements and they would look only to the state or other independence rules.

Frank: Let's assume, the latter situation. For a sole practitioner, who is not a member of the AICPA, who is in compliance with Wisconsin independence regulations but not in compliance with the AICPA regulations - does the fact that the standard opinion refers to generally accepted auditing standards of the AICPA and the auditing standards refer to independence, does that preclude that person issuing an unqualified opinion.

Tom: Very good point, Frank. I think you might be right on that. I think that even if that sole practitioner wasn't a member of the AICPA, because the opinion proports that the work was done in accordance with generally accepted auditing standards, I suspect that might mean that you must then conform with their ethics requirements as well, which the independence standards are part of. I am not 100% sure, but I suspect that is in fact the way it works.

Frank: The reason I raised it is because I didn't know for sure either and it'll come up later in the discussion.

DATE: November 19, 2001
TO: Katharine Hildebrand
FROM: Grace Schwingel
SUBJECT: Accounting Examining Board Meeting, October 19, 2001 To Do List

1. Jim Johnson's name was inadvertently omitted as a board member in the Regulatory Digest and will be acknowledged in the February Regulatory Digest.
2. The Board requested that **Dusso** prepare a draft of a rule defining ownership according to the Michigan model for the December 14th meeting.
3. With regard to peer review, it will also be important to specify when acceptable experience must have been acquired, either before or after graduation from a 4-year school to set the groundrules for equivalency. **Hildebrand** will look into what other states are doing, as to the timing of the experience. The Board will continue this discussion and vote on it at the December 14th meeting.